PRESERVED

P

G. R. S. App. F. IX-4]

1942

File No. 85-42

Serial Nos. 1-7

(C.S.)

Previous References.

CS 46-40-1-4
" 7-36-1-2
" 16-34-1-3

~~Later References.~~

L.M. 21-29-1-4
" 14-29-1-9,12
CS 69-42-1-2

PRESERVED

GENERAL AND REVENUE SECRETARIAT

Serial Nos. 7

P 58 E

Part B for Sel 43.

SUBJECT.

Proposal to float a Seventh Series of Debentures by the Mysore Central Co-operative Land Mortgage Bank Ltd

To,

The Registrar of C.S
" Comptroller - Do
No. A.F. 662 38/5-8/43.

Sd.)

27.12.43

Letter No 1071/4/C.S. dated the 11th March 1943 from the Registrar of C.S. forwarding proposals for the issue of a seventh series of debentures of the value of Rupees ~~twenty~~ ten lakhs at 3% interest redeemable in twenty years, and guaranteed by Govt for interest and principal and the debentures being free of income tax.

1) The file regarding the issue of the sixth series of debentures of the value of Rupees five lakhs is laid for perusal. The debentures were guaranteed by Govt for principal and interest and carried interest at 3½% redeemable after 30 years. But the debentures were not free of income tax as in the case of the first five series. The total value of the debentures subscribed for is Rs 18,33,400/- in all the six series of which bills now issued. The request of the Bank to make the debentures of the six series free of income tax was dropped as the same had been fully subscribed for.

bs 46-40-4

Limited file 3254/Acc

2) The Bank now request that they may be permitted to float a seventh series of debentures of the value of Rupees ten lakhs as against rupees five lakhs asked for in previous issue. The interest is to be paid payable at 3% per annum. The debentures are to be guaranteed by Govt for principal and interest as in the case of all the previous six series. The debentures are to be redeemed in twenty years as against thirty years in previous series. The debentures at this time are recommended by the Registrar C.S. to be free of income tax on the basis of the first five series. Govt are also requested to increase subscription in their debentures to the tune of Rs 180200/-

Can the public subscribition falls short.

LF 3282
AF

3) Before taking up the question of sanctioning the issue of a seventh series, it is desirable to ascertain from the Mysore Central Coop. L.M. Bank particulars about the amount of loans so far issued by the Bank, the amount of loan that is being recovered every year, the total number of Land Mortgage societies now existing and proposed to be started in the next one or two years and the amount that may annually be required for the issue of loans to the applicants from the existing societies as well as from the new societies. These particulars will enable Govt to gauge the actual requirements of the Bank and permit the issue of the debentures to the extent required. Such a Bank have said that these debentures are offered to the public only to the extent necessary and as the needs arise guarding against the raising of large and idle funds unnecessarily. Opt subject to approval of above

"A"

19/3/43 4) The Board of Directors have resolved to issue the seventh Series of Debentures for a sum of Rs 10 lakhs. The President of the Bank has also, agreeing with the Board has recommended the same. The Registrar has supported the recommendation. As it is said that the Bank will issue bonds only to the extent necessary and as the needs arise, there appears to be no need to call for additional ~~regarding~~ particulars suggested at "A"

5) Under bye law no 22, the Bank can borrow thirty lakhs of Rupees. The total borrowings of the Bank

will be Rs 28,33,400/- including the present proposal to borrow ten lakhs, which is therefore below the maximum limit. Hence the present recommendation is within the limits of the borrowings.

6) Hence the present proposal to raise the seventh series of debentures of the value of ten lakhs of rupees may perhaps be sanctioned.

7) Before sanction is accorded the following points deserve consideration and orders.

The interest is proposed to be fixed at 3% as against 3½% on previous occasion. It is for consideration whether the rate may not be reduced to ~~3~~ 2½% considering the present easy conditions of money, as stated by the President of the Bank.

2. It is proposed to treat the interest on the debentures free from the Income-tax. This concession was granted from the beginning for the five series of debentures issued; but was not allowed at the time of issue of the six series (Vide paras 13 & 15 of the notes in Cr. file No 46-40 and also the C.S. Regn's D.O. No 408 cs dated 6/12/2·41). On a further recommendation of the Regr on 9·1·43 on the representation of the Bank, on the same question, it was considered that no further action was necessary as the debentures were stated to have been fully subscribed. (Kind attention is invited to paras 9, 14, 15, 16 and 18 of the notes in the linked file). Inspite of withdrawing this concession, ~~on~~ the sixth series of debentures

Linked file

were fully subscribed for. (as per opinion expressed in para 29 of the note in file 46-40). For these reasons, the concession proposed viz Income tax free interest need not perhaps also be allowed for the seventh series of the debentures as on last occasion

3. The repayment of principal and interest may be guaranteed by Govt as on previous occasions.

4. Reduction of the long period of 30 years stipulated for redemption of the debentures to 20 years It is stated that this has been proposed in order to encourage the small investors and to be not solely depending on the big investors. This proposed reduction of the period of redemption to 20 years is for orders.

"Z" Vide copy of the Proceedings of the Board

5. A guarantee of Govt subscribing for debentures up to a sum of Rs 1,80,200 was, subject to certain conditions, given while sanctioning the sixth series of debentures. But as the entire debentures were subscribed for by the public & quasi public institutions, the need for Govt to subscribe did not arise. The Registrar now recommends that the request of the Bank, praying for extending the same guarantee in addition to the sum of Rs 19,800 already invested by Govt. in the first series, for the seventh series of the debentures may be favourably considered. As on last occasion subject to certain conditions, this guarantee may perhaps be given for this time also.

A similar situation arose in the fifth series also Hmm

6. The other conditions of issue may remain the same as in the fifth and 6th series of debentures

8) This is a Council matter

(Sd/-)

Jones
21.3.43.

GENERAL SECRETARY.
22 MAR 1943
6231

9) Just now the 6th series of debentures to the extent of Rs 5 lakhs has been subscribed fully. It is now proposed to issue a 7th series for a sum of Rs 10 lakhs. Tho' it is very likely that in the present state of the money market any debentures with Govt guarantee will be taken up quickly it is for consideration if such a heavy amount as Rs 10 lakhs ~~need~~ be is really necessary the Bank have explained their bonds are to the extent necessary & as the funds are needed will be issued but unless there is some use for the money it is either immediately or in the near future there will be no justification in authorizing the issue of ~~so~~ heavy debentures for such a heavy amount No doubt the Bank is under the Byelaw which fix limit to ask for the issue of Rs 10 lakhs debentures. but file now no issue has exceeded the sum of Rs 5 lakhs the last three issues being for the latter amount only As far as can be made out from the Bank's letter to the Registrar (dated 22-2-43)

the immediate proximate requirements of the Bank are as follows: Rs.

1. Sanctioned loans pending disbursement 84235
2. Loan applications pending 1,50,599
3. Part of 1st series to be redeemed 85,800.

Total Rs 3,20,634

19 The 3rd item is no doubt advantageous to the Bank as thereby the payment of interest at a higher rate can be avoided only the 2nd item that is possible that some part of the applications may not be sanctioned but for arguments sake the amount may be allowed to stand the 1st item to be allowed in full In the result the financial sum required is on the above basis not more than Rs 3.25 lakh. Adding to it something like a lakh of rupees more to meet possible further applications there is no need to float debentures for a sum in excess of Rs 4 or 4½ lakhs or in round figures Rs 5 lakhs in any case. There is also the amount recently subscribed under the 6th series available All in all there seems to be no justification for the Bank to issue debentures for a sum more than Rs 5 lakhs under the 7th series The fact that subscriptions to forthcoming debentures is no argument for going into the market for sums far in excess

of the actual & possible needs of the forseeable
future & secure a better & wider series. The
shortest [at present] a more favourable rate of interest
[at present] & the forseeable future would be
enough to [ ] the Bank issues debentures
[ ] Rs 5 lakhs only

II) The rate of interest proposed i.e 3%
appears to be all right for such loans
even when guaranteed by Govt there should
be a small margin over the lowest current
market rate for gilt-edged securities to
induce investors to take up the issues readily

III) The period of the issues proposed to be
reduced from 30 to 20 years. This raises
the question of sinking fund for the
exact amortization of the debt. The Fl.
Sec's remarks in the 4th & 5th para of
the 6th series of the permit in this connection
Now that the Bank's total loan obligations
have reached the high figure of Rs 18,33,400
it is necessary that adequate provision
to the question of
for debt redemption of the debentures on the
due date is made clear if the Bank has
taken steps to form a special sinking fund
for such the above be done to [ ] the
question before [ ] allowed to issue a further
series of debentures The proposed reduced
of the period of issue which has all along
30 years to 20 years emphasises further
the need for special measures to ensure

the repayment of the obligation on the due date since the discharge of the debentures may be made optional at the option of the Bank subject to some form of sinking fund being formed to the repayment at the end of 20 years being at the option of the Bank the reduced period to be agreed to This will serve to make the issue more popular to attract the small investor

13) In view of the possibility of the issue being easily taken up in the lifetime of the present Government there is no need to make the present issue tremendously free but such a small proportion of the Government's annual expenditure, the Govt guarantee of the principal & interest by Govt. does not being more than sufficient inducement under the present conditions at least to be attracted for the investor to take up the issue

14) The above conditions as to Govt guarantee, & the promise to take up the amounts 1,80,200 by Govt being extended to the present series only agreed to by such as in the case of the previous issue the latter conditions may not have to be carried into effect

at all as the entire amount is likely to be subscribed by the public and ~~public~~ quasi-public institutions.

15) In addition the proposed issue of the 7th series of debentures at 3% interest for a period of 20 years may be approved both under income tax and for a sum of Rs 5 lakhs instead of for Rs 10 lakhs.

Council case.

Ministers seen
Secy H S

23/3
23/3/43

O.No.F.4530
23. MAR. '43

16) Minister to discuss the matter with the Hon. Leader of the House & the Secretary L.S.G. & the Registrar May he may be asked to meet me on 15th April at 8 p.m.

29.3.43

29/3

1.4.43

OFFICE OF THE MINISTER FOR EDUCATION
Date 1.4.43
No. 5532

17) D&L D.O. letter dated. The file may be submitted to the Financial Secretary also the pension before issue

3/4/43

for perusal of the Minister's Orders. Secy

3/4

7th Secy

3/4

7/4/43.

3 APR. 1943

6768

for perusal before issue

Secy

7.4.43

2/4

18) A D.O. letter may be sent to the Secy L.S.G. Bombay also

5/4

Continuation Sheet. CS File No. 3283 / 3645 / 3668 Current No. 85 of 92 Page.

22) Draft Do letter to the Provincial L.M. Bank is put up as desired

8/4/43

23) - Issued Hmds 8/4/43

- 9 APR. 1943
GEN. & REV. SECTT.

Do. Letter No AF 5672 dated 4-4-43 from the Secretary stating that the question may be discussed with the Provincial L.M. Bank after 15th April 1943

Memo No AF 5673 dated 9-4-43 to the Finance.

Do. Letter No AF 5674 dated 9-4-43 to the Provincial L.M. Bank stating that the question will be discussed on 15/4/43

24) It is submitted that the Secretary is said to have phoned to the General Secretary that it may not be possible for him and the Provincial L.M. Bank to meet the Minister for discussion on 15th instant. Submitted for orders as to the date on which the question may be discussed

12/4/43 Hmds

12/4/43 Hmds

Letter No 1193-B dated 12-4-43 from the Secretary Provincial L.M. Bank stating that the President will be away from Headquarters on 15/4/43. and requesting that the meeting may be postponed. Please submit with the reply from the Regd. cs. 12/4/43 Hmds

Letter No 12209 dated the 12th April 1943 from the Secretary Regd. stating that it is not possible for the President & the Bank officials to attend the meeting on 15th but they request that the 20th may be convenient for both of them.

25) Extract of Note of the Secretary on P 19 for perusal. Another date of meeting may be fixed

Minister for L.S.G.

Asstt. N.M 12/4/43 H.M.S.

OFFICE OF THE MINISTER FOR L. S. G. & P. H.
Date 13.4.43
No. 8630

27) 29 & 28 of 26 may be fixed.

13.4.43

15/4 Hmds

3668/AF

Continuation Sheet. 65 File No. / Current No. 85 of 2 Page.

28) Draft DO Letter is submitted for above

15/4/43

29) Issued
16/4/43

Issued No AF5790-2 dated 15-4-43

30) The file may now be sent to the Office of the Minister for L S G for necessary further action

26/4/43

P.A. to the Hon'ble Minister for L.S.G.

TYPE SECTION
16 APR. 1943
GEN. & REV. SECTT.

31) The following decisions were arrived at in the meeting held yesterday afternoon in the L.S.G Ministers Chambers at which the Rt'ble C.S, the Fd Secy, the President LMB & myself were present

(i) The Seventh series of Debentures for floated for a sum of Rs 5 lakhs on the basis roughly of the financial requirements of the Bank for 2 years ahead, Govt guaranteeing the principal & interest as usual.

(ii) The rate of interest on this issue for 3% as proposed.

(iii) The period of issue for 20 years. with the objecting attracting the small investor the Bank having the option to redeem at the end of 10 years.

(iv) Govt to take up the issue upto a sum of Rs 1,80,200 subject to the allotment to Govt by investors to the extent to which subscriptions fall short of Rs 5 lakhs.

(v). The Chairman's waiver stamp duty be afforded

(vi). The question making the issue income tax free may on financial grounds be dropped but instead the alternative suggestion of the Pr LMB to exempt the debentures from deduction of income tax at source might be examined. This will if applied remove the H.B.

A

32) With regard to the question of forming a Sinking Fund it was explained by the Pr. LMB that in the case of an institution like the Land mortgage banks the formation of a Sinking fund was not really necessary but insistence on its formation would cause loss to the institution. When it was stated that such a fund would give stability to the Bank & its formation would be a measure of financial prudence & it might even be necessary to make some provision against possible failure to raise debentures in the future quickly enough to repay the ~~its~~ maturing ones the Pr. urged that this question ~~should be taken up~~ may be postponed until after the first three issues of debentures carrying a high rate of interest are redeemed. It was explained further that a sinking fund may be formed not by appropriation of profits but out of ~~receipts~~ receipts

33) In the circumstances explained the suggestion of the Pr. L.M.B was to postpone the formation of a Sinking fund for 4-5 years until the high-rated securities are redeemed may perhaps be approved

34) Incidentally it was also suggested that a fund be formed by appropriations from the annual profits to cover depreciation of securities to which the Pr. L.M.B seemed to be agreeable. This question will be pursued separately.

35) On the basis of the above, the proposed issue of the 7th series of debentures for a sum of Rs 5 Lakhs at 3%, interest for a period of 20 years may be sanctioned. But under income tax Council case

Minister L.S.G
Rec'd 7-5-43

39x

36)
A. May be referred to Income Tax Commr. for opinion

7.5.43
8390

OFFICE OF THE MINISTER FOR L. S. G. & P. H.
Date 5.5.43
No. 9226

5207

3.5.43

4/5

37)

5.5.63

38)
Council case Myles disposed of by circulation

Dewan

6/5

39)

8/5

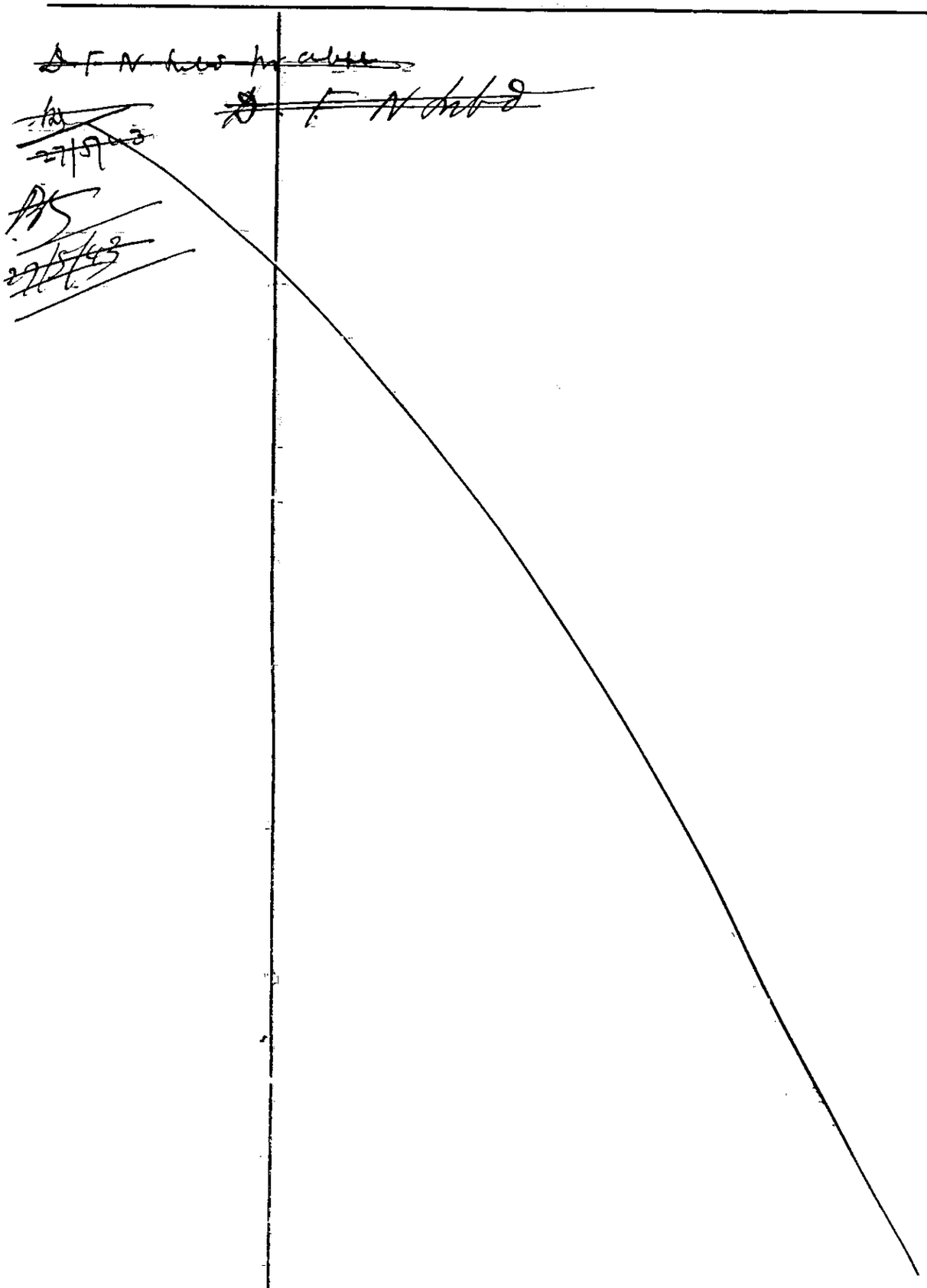
Clerk for typing

10693
10.
VT OF MYSORE.

Put with a note
17/5/43.

Submitted with a Circulation Memo.
17/5/43

17/5/43



For Disposal by Circulation. **No. C. 1099**

..... of 1942.43.

GENERAL AND REVENUE SECRETARIAT

Council Matter

Subject

Proposal to float a Seventh Series of Debentures by the Mysore Central Co-operative Land Mortgage Bank, Ltd.

Circulated to the Council of Ministers.

By Order,

17th May 1943

Udayagiri Anand
Chief Secretary to Government.
17/5/43

9792/18.5.43 **Minister for Revenue and Law.** K.C. 17.5

6739/19/5 **Minister for Public Works.** 19.5.

Minister for Local Self-Government and Public Health. (illegible)

Supplies.

2469/20.5.43. **Minister for Industries and Commerce.** 21/5

905/24/5. **Minister for Education.** 25/5 General Cy Ye

WD 02720—GPB—500—24-4-43

UG 26/5/43

26/5

C/H 5742

3666

A. F. N. Rebd

GR Secy)

27/5/43

28/5/43.

GENL

28 MAY 1943

8208

For appl

Minister L. S. G. -

28/5/43

31.

OFFICE OF THE MINISTER
FOR L. S. G. & P. H.
Date 31:5:43
No. 9915

Two copies of proposed Fr put up

24/6.

No. 9192

Dewan

25/5

FINAL NOTE BY THE MINISTER FOR LOCAL SELF-GOVERNMENT AND PUBLIC HEALTH

Subject:— Floatation of a Seventh Series of Debentures by the Mysore Central Co-operative Land Mortgage Bank Ltd., Bangalore.

---- : 0 : ----

With the gracious sanction of His Highness, the Mysore Central Co-operative Land Mortgage Bank Ltd., Bangalore City, was permitted to float a Sixth series of Debentures of the value of Rupees Five Lakhs at 3½ per cent interest per annum, Government guaranteeing the re-payment of principal and interest etc.

Including this issue, the Bank has, till now, raised debentures of the value of Rs.18,33,400/- at rates of interest varying from 5 % to 3½ % in order to finance the agriculturists with a view to relieve their indebtedness etc.,

With the increase in the number of Land Mortgage Societies from 51 to 65 and the gradual extension of the Land Mortgage Scheme, the Central Land Mortgage Bank is in need of additional funds to finance a larger number of transactions involved as well as to redeem the balance of the First series of Debentures carrying interest at 5 %, and has accordingly requested for permission to issue a Seventh series of Debentures of the value of Rupees Ten Lakhs carrying interest at 3 % per annum free of income-tax, re-payable not later than twenty years from the date of issue, Government guranteeing the re-payment of principal and interest and promising to subscribe to the extent of Rs.1,80,200/- in this issue.

The Registrar of Co-operative Societies in forwarding the above proposals has reported that according to the bye-laws of the Bank, debentures of the value of Rupees Thirty Lakhs can be raised by them and has recommended the acceptance of the proposals of the Bank, the bonds being issued only to the extent necessary and according to the needs to guard against the accumulation of large idle funds in the hands of the Bank.

(F.N.--contn.)

The question was informally discussed with the Registrar of Co-operative Societies, the Financial Secretary to Government and the President of the Bank and it is accordingly proposed to permit the Bank to float a Seventh series of Debentures of the value of Rupees Five Lakhs only carrying three per cent interest per annum and redeemable at par not later than twenty years from the date of issue. It is, however, considered not necessary to exempt this series of debentures from income-tax. Government will as heretofore guarantee the re-payment of principal and interest and agree to subscribe up-to the extent of Rs.1,80,200/- the allotment made to them being limited to the extent of the public subscription falling short of the full value of the issue. The other concessions allowed in the case of previous issues such as exemption from stamp duty etc., will be continued in respect of this issue also.

Para 39 of Notes + E.Q.

The above proposals have been agreed to by the Dewan and other Ministers and I solicit His Highness's gracious sanction thereto.

M I N I S T E R,
Local Self-Government & Public Health.

Bangalore,
24th June 1943.

Submitted to His Highness.

I submit herewith a Final Note by the Minister for Local Self-Government and Public Health on the subject of the floatation by the Mysore Central Co-operative Land Mortgage Bank Limited, Bangalore City, of a Seventh Series of Debentures of the value of Rs.5 lakhs at 3 per cent interest per annum for His Highness's gracious approval.

N. M. S. Rama Rau

DEWAN.

Camp Mysore,

27th June 1943.

Record of Cases submitted for the Orders of His Highness the Maharaja.

Subject.

Proposal to permit the Mysore Central Co-operative Land Mortgage Bank, Limited, Bangalore City, to float a Seventh Series of Debentures of the value of Rs 5 lakhs at 3 per cent. interest per annum.

No.932

Order.

VRN.
30/6/'43.

Chief S. . .
1/7/43

WT
3/7/43

General and Revenue

Secretariat.

2668
C 1099.

SUBJECT :—

Proposal to permit the Mysore Central Co-operative Land Mortgage Bank, Limited, Bangalore City, to float a Seventh Series of Debentures of the value of Rs.5 lakhs at 3 per cent interest per annum.

(*)

14. All urgent or confidential files returned with His Highness' orders may, in the absence of instructions or indications to the contrary, be ordinarily circulated to the Ministers for perusal after the issue of orders.

16. The Secretaries concerned should see that orders in the cases referred to above are issued at once and that the files are returned immediately after, to the Chief Secretary for circulation to the Ministers.

17. In all other cases, the files will first be circulated to the Ministers at Headquarters and then sent to the Secretariat concerned for the issue of orders.

Circulated to Council of Ministers for perusal of His Highness' orders ~~before~~/after issue of orders. (*Vide* Rules 14, 16 and 17 of the Subsidiary Rules of the Mysore Government Business Rules.) (*)

Chief Secretary to Government.
3/7/43

Through the Secretary to Government,
~~Genl.~~.....Department. 10/7/43

Minister for Revenue and Law. 23.7.43
23/7/43

Minister for Public Works. 24.7
456/24/7

Minister for Local Self-Govt. and Public Health. 16.7.43
320/12/7

Minister for Industries and ~~Commerce~~ Supplies. 17.7
276/17.7

Minister for Education. 28/7/43
385/22/7

Gen. Secy. 27/7

NOTE.—Contn. sheet

WD 02718—GPB—500—21-4-43

3668

OFFICE OF THE MINISTER FOR L. S. G. & P. H.
Date 30.7.43
No. 856

5 JULY 1943

C.S

order given by Hon Minister

Hon proper circulation

5 JULY 1943

GENERAL

9 JULY 1943

Draft G.O sent for approval 129

Gl Secy 9.7.43

29/7/43 Minister L&G

The file has been returned after circulation. It is for orders if the draft G.O may now be issued. Submitted.

SECRETARIAT GENERAL

30 JULY 1943

639

29/7/43

For perusal before issue

Gl Secy 29.7.43

Minister L&G

Draft G.O for perusal

31.7.43

TYPING SECTION

GEN. A

5287/43 5/8

9/8

6.8.43 6/8 Issued

The Registrar of C.S.
Comptroller through F.D.
A.F. 662-3/D 5-8-43

~~Cheeraparaba~~ Devaraj that the Mysore Central Co-operative Land Mortgage Bank Ltd be permitted to float a seventh series of debentures of the Value of Rupees five lakhs only carrying interest at 3% per annum etc.

This reference is limited to Para 3 (vii) and Para 36 of the Note in the file wherein the question of exempting the Central L.M. Bank debentures from deduction of income at source ~~has been~~ happens to be examined and it was proposed to consult the Government in the matter. This was agreed to by the Minister L. & S. Industries for orders if the matter may now be finalised though no mention of the question has been made in the Finance Note

10/8/43

Now that the final orders have been issued, no further action in the matter is necessary. If approved the papers will be filed.

11 AUG. 1943

Gl Secy

11/8/43

(In the question of deducting Income Tax at source from the Interest on Bonds

S. 4630/42-43

file J.T. 35-42-1 DM 701/898)

J.T. Commr has reported that it cannot be granted

Forwarded

4-9-43

WD 1140—GPB—50,000—5-11-42

C.S.85-42-1

3283
A7

C.F. No. 45]

GOVERNMENT OF MYSORE

Telegram / phone

No. Lo 719 43
Encls. Two

OFFICE OF
The Registrar of Co-operative Societies in Mysore, Bangalore.

GEN. & RE. CTT. 13 MAR. 1943 AGRL. & FOREST DEPTT.

Date 11th March 1943.

OFFICE OF THE MINISTER FOR EDUCATION
Date 15.3.43
No. 4284

To
GENERAL SECRETARY 12 MAR. 1943
The Secretary, to Government of Mysore, General Department, Bangalore.

Sir,

Subject: Floatation of the Seventh Series of Debentures by the Mysore Central Co-operative Land Mortgage Bank, Ltd.,

---

For perusal in the first instance and instructions in this regard.

I have the honour to forward, herewith, a copy of letter No.S.I.1027 dated 22nd February 1943 with copies of enclosures thereto received from the President of the Mysore Central Co-operative Land Mortgage Bank, Ltd., Bangalore City on the above subject and to state as follows:-

According to the byelaws of the Bank, it can raise funds by the issue of debentures or otherwise to the extent of 20 times the subscribed share capital plus the reserve fund. The total amount of the paid up share capital and the reserve fund comes to Rs.2,15,168 and so the Bank can borrow the full extent of thirty lakhs of rupees, the maximum limit prescribed in byelaw No.28. As against this, the debenture borrowings of the Bank as they stand now amount to -- Rs.18,33,400/-. The Bank can therefore be permitted to raise the seventh series of debentures to the extent of ten lakhs which will bring the total borrowings of the Bank to Rs.28,33,400/-. In the circumstances mentioned by the Bank and in view of the need for raising additional capital for issuing loans and also redeeming the balance of the first series of debentures carrying five per cent interest, I recommend that sanction of Government may kindly be obtained for the flotation of the seventh series of debtures subject to the following conditions:-

P.T.O

conditions:-

i. the debentures shall carry interest at 3 per cent per annum.

ii. the debentures shall be redeemable at par not later than twenty years from the date of flotation,

iii. the repayment of the principal amounts of the debentures as well as the payment of interest as it falls due shall be guaranteed by Government.

iv. the interest on debentures shall be exempt from the income-tax under the Mysore Income-tax Act.

The Bank has requested that the promise of Government undertaking to subscribe to Bank s debentures in the sixth series to the extent of Rs.1,80,200/-, in addition to the sum of Rs.19,800/- already invested by Government in the first series of debentures, may be extended to this seventh series also as no subscription by Governmentfor the sixth series was needed the whole issue having been taken up by the public and quasipublic institutions. I recommend that this request may also be favourably considered.

Though the flotation will be for Rs.10,00,000/-, the Bank will, as in the case of previous series, issue bonds only to the extent necessary and as the needs arise and can be expected to guard against raising unnecessarily large and idle funds.

I have the honour to be,
Sir,
Your most obedient servant,

K. Subba Rao
Registrar.

jsp.10/3.

Letter No.S.I.1027, dated 22nd February 1943 from the President The Mysore Central Co-operative Land Mortgage Bank, Ltd., Bangalore City to the Registrar of Co-operative Societies in Mysore, Bangalore.

Subject: Floatation of the seventh series of debentures.

In forwarding herewith a copy of the resolution of the Board of Directors of the Bank passed atits meeting held on 14-2-1943 regarding the floatation of a fresh series (Seventh Series) of debentures by the Bank for a sum of Rs.10/lakhs, I have the honour to state as follows:-

Government in their Order No.A.F.7144-5/C.S. 46-40-4 dated. 10-4-1941 sanctioned the issue of the sixth Series of debentures by the Bank to the extent of Rs.5 lakhs. Out of this series, debentures for Rs.4,93,000/- have already been issued and the remaining balance of Rs.7,000/- is expected to be subscribed for during the course of next month. Sanctioned loans to the aggregate of Rs.84,235/- are pending disbursement and applications for loans for Rs.1,50,599/- are pending sanction in the Bank in various stages. Out of Rs.2,18,500/- carrying 5 per cent interest in the First Series of debentures a sum of Rs.1,32,700/- has been redeemed in December 1940 and the remaining debentures for Rs.85,800/- outstanding in this series will become redeemable by the end of October 1943 at the option of the Bank. As the Bank hs been paying high interest on this series of debentures, it is proposdd to redeem these debentures. To meet the demand for loans already sanctioned, the loans that may be sanctioned in respect of the pending and future applications and to pay off the First Series of debentures, additional funds are necessary. It is therefore considered necessary to issue the Seventh Series debentures for a sum of Rs.10 lakh

2. The total amount of debentures that have been issued and are current and that will be issued by the Bank very shortly comes to Rs.18,33,400/- as detailed in the margin. According to the Bank's

P.T.O

Bank's Byelaw No.17 (b), the Bank can raise funds by the issue of

I.	Series	5%	.. Rs. 85,800/-	debentures or otherwise
II.	"	4½%	.. Rs. 62,500/-	
III.	"	4%	.. Rs.1,85,100/-	to the extent of 20
IV.	"	3½%	.. Rs.5,00,000/-	
V.	"	3⅓%	.. Rs.5,00,000/-	times the subscribed share
VI.	"	3½%	.. Rs.4,93,000/-	
To be issued shortly			7,000/-	capital plus the
			18,33,400/-	Reserve Fund. As the

total of the paid up share capital and the Reserve Fund amounts to Rs.2,15,168/- as noted in the margin, the Bank can borrow to the

Paid up Share capital	Rs.1,47,800/-	full extent of
Reserve Fund.	67,368/-	
	2,15,168/-	Rs.30 lakhs, the

limit prescribed in its byelaw No.28. As against this, the debenture borrowings of the Bank in all the previous six series plus the balance still available for issue amount to Rs.18,33,400/-. It is therefore permissible for the Bank to issue further debentures for Rs.10 lakhs as now proposed.

3. As regards the amount of debentures to be taken up by the Government, I invite your kind reference to G.O. No.A.F.7144-5/C.S. 46-4-4 dated 10-4-1941 in which the Government undertook to subscribe to the Bank's debentures in the sixth series to the extent of Rs.1,80,200/- in addition to the sum of Rs.19.800/- already invested by Government in the first series of debentures, and to request that since no debetures have been issued to Government in this series, the Government may kindly be moved to keep the concession open for issue of debentures to them in the new series whenever the Bank may be in need of funds to the extent necessary not exceeding the limit of Rs.2 lakhs on the same conditions. The debentures of Rs.19,800/- held by Government in the First Series will be redeemed in August 1943

The reasons urged for the several concessions prayed for are detailed in the Board's Resolution herew th annexed. I request that sanction of Government may kindly be obtained at an early date for the floatation of the VII Series of debentures, Government guaranteeing the repayment of both principal and interest and subject to the following conditions and concessions.

1. for permission to issue the seventh series debentures for a sum of Rs.10 lakhs.

2. for fixing the rate of interest on these debentures at 3 per cent;

3. for reduction of the period of redemption of these debentures to 20 years;

4. for exemption of this series in respect of income-tax on the interest; and

5. for continuing the other concessions and conditions allowed by Government in respect of this serives also as in the previous ~~xxxx~~. series.

"C O P Y"

jsp.10/3.

For Registrar.

THE MYSORE CENTRAL CO-OPERATIVE LAND MORTGAGE BANK LIMITED.
BANGALORE CITY.

Proceedings of the meeting of the Board of Directors of the Bank held on the 14th February 1943.

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4. Subject:- Question of applying to Government for permission to float the Seventh Series of debentures for a sum of Rs.10 lakhs:-

The President said that the Sixth Series of debentures carrying interest at 3½ per cent have been issued by the Bank to the extent of Rs.4,66,000/- and that there was only a small balance of Rs.34,000/- remaining out of this series which was floated for Rs.5 lakhs. He said that loans sanctioned to the extent of Rs.84,235/- were pending disbursement and that 105 applications for loans aggregating Rs.1,50,599/- were pending sanction in the Bank in various stages. To meet the demand for the issue of loans, it was necessary to apply for permission to issue the Seventh Series of debentures as the Bank could meet its demands for loans only by issue of debentures He said that the Sixth Series of debentures which are not free of income-tax as the previous five series were not very popular among the small investors as the payment of incometax at the source very much discouraged the small investors and that out of the 34 subscribers to the Sixth Series of debentures, there were only 12 small investors of Rs.4,500/- and below and that only a small sum of Rs.21,400/- was subscribed for by them, the remaining sum of Rs.4,44,600/- being subscribed for either by institutions or individuals who had large sums to invest. In view of the first five series being free from the levy of income-tax the small investors subscribed for and obtained larger sums in these series unlike in the present Sixth Series. The amount subscribed for by institutions like the Charitable and Muzrai Institutions and the Co-operative Societies was Rs.2,75,500/- out of which exemption from the payment of income-tax has been claimed for a sum of Rs.1,03,500/- under Section 4 (i) of the Mysore Income-tax Act by the Charitable and the Muzrai Institutions. It was also

found by experience that the long period of 30 years stipulated for the redemption of the debentures to a certain extent, kept back the small investors. In order to encourage the small investors and to be not solely depending on the big investors it was necessary to approach Government to make the Seventh Series free of income-tax and to reduce the period of repayment of the debentures from 30 years to 20 years. He stated for the information of the Board that only one gentleman now residing in Madras Presidency has subscribed for Rs.500/- in the Sixth Series and that the rest of the debentures have all been obtained by either Institutions or individuals in Mysore State.

The President further stated that considering the present easy money conditions, it is desirable to reduce the rate of interest on the debentures from 3½ to 3 per cent. He brought to the notice of the members that the Madras Land Mortgage Bank which floated its 33rd Series of debentures for Rs.20 lakhs at par had been oversubscribed.

He also said that though the longest period of loans issued by the Bank is 25 years, there were loans which were issued for periods ranging between 10 and 20 years and that the recoveries of loans issued for periods of 20 years and less out of the Seventh Series, the Share Capital of the Bank, and the First three series of debentures which will be redeemed by the end of December 1945 would be enough to redeem the Seventh Series at the end of 20 years. He therefore placed for consideration of the Board the following points:-

(1) to apply to Government for permission to issue the Seventh Series of debentures for a sum of Rs.10 lakhs;

(2) to fix the rate of interest on these debentures at 3 per cent;

(3) to reduce the period of redemption from 30 years to 20 years; and

(4) to request Government to make the Seventh Series of debentures free of income-tax in respect of interest.

Mr. S. Srikantaya said that the last concession proposed to be obtained was in his opinion meant to oblige the investors who could pay the necessary income-tax. He also said that

with a view that the large investors alone are not given the advantage of investing heavy amounts in the debentures, a maximum amount of investment in the debentures by an individual may be fixed and that applications for debentures for smaller amounts may be given preference to the applications for bigger sums.

The President said that if small investors have to be given encouragement, the debentures should be made income-tax free as otherwise it would mean hardship and trouble for them to pay income-tax at the source and then claim a refund. He said that no small investor was denied the grant of debentures in preference to the big investor provided the application of the small investor was prior to the application of the big investor and was accompanied with the required premium. He further stated that unlike in Madras where the entire amount of the debentures intended to be issued is thrown open for public subscription by publishing the floatation here only the prospectus is issued and the debenture subscriptions are accepted according to the requirements of the Bank, as and when found necessary, thus saving unnecessary interest charges on the Bank by the accumulation of funds. He said that an arrangement was entered into with the Apex Bank to get money by the issue of debentures whenever it was required and when there was no immediate demand for the debentures from others. This arrangement has been successful and no difficulty has been felt to secure subscriptions for the debentures when money is actually required. As regards Mr. Srikantaya's suggestion to fix the maximum amount that a member may invest, in the debentures, the Executive Committee might deal with the question and fix a limit if deemed necessary.

After some discussion on the subject, it was resolved that sanction of Government be obtained:-

(1) for permission to issue the Seventh Series of debentures for a sum of Rs.10 lakhs;

(2) for fixing the rate of interest on these debentures at 3 per cent;

(3) for reducing the period of redemption of these debentures from 30 years to 20 years;

(4) for exemption of this series in respect of income-tax on the interest; and

(5) for continuing the other concessions and conditions allowed by Government in respect of this series also as in the previous series

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// Copy //

Secretary,

RR Mysore Central Co-op: Land Mortgage Bank Ltd.

mg

Appendix F. G.—1]

SUBJECT..... Two 85

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Section 85

File No. 85-42

Serial No. 2

Diary No. of letter replied to.....

No. A.F. 5672

To

General and Revenue Secretariat

( )

the *194*

Dear Sir

Date of issue... 9th April 43

Signed by.....

With reference to your letter No 10719/43 dated the 11th March 1943 in the matter of the floatation of a seventh issue of debentures of the Nyasa Central Brotherhood Land Mortgage Bank Ltd, I am desired to state that the Minister for Education wishes to discuss the question with you, + the Financial Secretary, Mr Lamb ~~and~~ the President of the Bank at 3 P.M. on Thursday the 15th April 1943 and to request you to make it convenient to meet him in his Chambers in the Old Public Offices on that day at your Office ~~the Public offices together with the President of the Bank.~~

List of enclosures.....

To

Copied by.....

Mr Lobbaker Esq BA LLB 3/4

Registered

Memo A.F. 5673 of 9/4/43.

Examined by.....

Copy of the above is forwarded with

WD 04161—GPB—60,000—24-10-41

Compliments to the Financial Secty to Tsy
for information.

B.O
4/3-4.

A.F. 5674 D/9-4-43.

Copies to P.A to Minister for Edn

4/8/4

Copy sent

To No. A.F. 5675 D/9-4-43

Two Ds.15
2

The Principal
Lingam Scientific Corp. L.M. Branch Ltd
Bangalore

Dear Sir

With reference to your letter of the 22nd July 1943 to the Registrar Co. re the floatation of Seventy lacs of debentures by the Branch I am directed to state that the Minister for Education wishes to discuss the matter with you & the Registrar of Co. at 3 P.M. on Thursday the 15th instant and to request you to make it convenient to meet the Minister in his Chamber on that date

Yours sincerely

D. O No. A.F. 5672/CS 83-42-2 GENERAL AND REVENUE SECRETARIAT

Dated Bangalore, 9th April 1943.

Dear Sir,

With reference to your letter No.10719/C.S. dated the 11th March 1943, in the matter of the floatation of a seventh series of Debentures by the Mysore Central Co-operative Land Mortgage Bank, Ltd., I am desired to state that the Minister for Education wishes to discuss the question with you, the President of the ~~Branch~~ Bank and the Financial Secretary to Government at 3 P.M. on ~~Monday~~ Thursday the 15th April 1943 and to request you to make it convenient to meet him in his Chambers in the Old Public Offices on that day.

Yours sincerely,

Sd/- M.Madhava Rao.

K.Subba Rao, Esq., B.A., LL.B.,
Registrar of Co-operative Societies in Mysore,
Bangalore.

P.T.O.

KRS/-

Memo No. A.F 5673 Dated, Bangalore, 9th April 1943

Copy of the foregoing is forwarded with compliments to the Secretary to Government, Financial Department, Bangalore, for information.

By Order,

Sd/- N.Madhava Rao.
Secretary to Government,
General Department.

****

Memo No. A.F. 5674 Dated, Bangalore, 9th April 1943.

Copies of the above are forwarded to the Personal Assistant to the Minister for Education.

By Order,

Sd/- Srinivasaraya 9.4.43

Secretary to Government,
General Department.

C8 85-42-4

THE MYSORE CENTRAL CO-OPERATIVE LAND MORTGAGE BANK, LTD.

NO. 5, ALBERT VICTOR ROAD, CHAMARAJPET

M. Chinnaswamy, B.A.,
SECRETARY.

BANGALORE CITY,
Dated 10th April 1943.

D. O. No. S.8 1193

3655
A-7.

Dear Sir,

With reference to your D.O. No. A.F.5675/C.S. 85-42-3 dated 9-4-1943 stating that the Minister for Education wishes to discuss the matter of the floatation of the Seventh Series of Debentures with the President of the Bank and the Registrar of Co-operative Societies on the 15th instant at 3 P.M. I am desired to state that the President will be away from Head-Quarters on the 15th instant The Registrar of Co-operative Societies informs that when he interviewed the Minister for Education on the 9th inst and suggested the meeting being postponed to some other date, the Minister was pleased to say that the meeting would be postponed to some other date.

Yours sincerely,
M. Chinnaswamy

H. Seenivasaiya, Esq., B.A.,
Assistant Secretary to Government,
General & Revenue Secretariat,
B A N G A L O R E.

C.S.
Please put this up in the connected file under Hons'n to Ch. Secy for information
12/4/43

C. F. No. 46]

CS 85-42-5

3668
A-7.

GOVERNMENT OF MYSORE

Telegram / phone

OFFICE OF

Office of the Registrar of Co-operative Societies in Mysore.

No. 12209 CS
Encls. ~~2~~

Date 12th April 1943.

To

N. Madhava Rao, Esq., B.A.,
General Secretary to Government,
Bangalore.

GENERAL SECRETARY
12 APR. 1943

Sir,

With reference to your D.O. No.A.F.5672/C.S. 85-42-2 dated 9th April 1943 intimating that a meeting will be held in the Chambers of the Minister for Education with the President of the Land Mortgage Bank and the Financial Secretary to discuss about the floatation of the seventh series of debentures by the Mysore Central Co-operative Land Mortgage Bank and requesting me to attend the same, I write to inform that it is ascertained that the President of the Bank would be going to Magadi on the 15th and so it may not be convenient to him to attend the meeting on the 15th instant. I have also programmed to be at Mysore from the

12th to 17th. In the circumstances, I suggest that the meeting may be fixed to take place on the 20th instant which is stated to be convenient to the President of the Bank also.

Yours sincerely,

K. Subba Rao

N. Madhava Rao, Esq., B.A.,
General Secretary to Government,
Bangalore.

For perusal
kindly take the meeting after fixed
Minister L.S.G 12/4

Appendix F. G.—1]

SUBJECT.....

.....

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Section 65

File No. 85-42

Serial No. 6.

Diary No. of letter replied to.....

No. A.F. 5790

5791

To

General and Revenue Secretariat

( )

the 194 .

Date of issue... 19th April 43

Signed by... H.M.S.

List of enclosures.....

Copied by.....

Examined by.....

Dear Sir,

With refce to your letter No 19209/eg
Your qvie letter No S.9 1193
dated the 12th april 1943, I am
dated the 12th abril 1943
desired to state that the Application
of floating the seventh issue of
debentures of the Nyasa Central Bank Ltd
Bank Ltd which was to be discussed
on 15/4/43, will be discussed by
the Minister for L & S with HPH.
you and the Financial Secretary to Gvt
and the Registrar of the Bank at 3 P.M. on
the Registrar of Cos.
Monday the 19th April 1943 and
to enquire your kindly to make it convenient
to meet the Minister in his chambers in
the Old Public offices Boma on that date

Your kind

Boma 16/4/43

WD 04161—GPB—60,000—24-10-41

To 1) K. Subbarao Esq BA. LLB Registrar of Cos

2) Lovemore Mbeti Cs. Kamphuwanga Esq Asst
Asst Registrar of Cos. L.M. Bank

P.T.O

Memo A.F. 5792 DJ 194/43

Copy of the above is forwarded w.c
to the Hon Secy W/C for information

D. O

16/4/40

Mr Fleury

1/3

G. R. S. App. F VI—G 2]

SUBJECT .....

.....

.....

6 copies

Diary No. of letter replied to .....

Section. Cs

File No. 85-42

Serial No. 7

General and Revenue Secretariat

( )

the 193 .

Proceedings of the Government of His Highness the Maharaja of Mysore

Date of issue 5th Aug 1943

Signed by Asst. to M. S.

Read— Letter No 10719/Cs. dated the 11th March 1943 from the Registrar Co. recommending that the Mysore Central Land Mortgage Bank Ltd be permitted to float a seventh issue of Debentures of the value of Rupees ten lakhs, carrying interest at 3½% p.a. redeemable at par not later than twenty years from the date of floatation Govt guaranteeing the repayment of principal and interest and agreeing to subscribe in this issue of debentures to the extent of Rs 1,90,200/- if the subscriptions from the public falls short of expectations. Full value of the issue

May this be—

(i) printed ?

(ii) treated as a standing order ?

iii) published in the Gazette, English Part ?

iv) translated ?

(v) placed at the disposal of the press ?

(vi) published in the Gazette, Kannada Part ?

Order thereon.—No.

Order A.F. 662-38 5-8-43 Flag P

1) G. 6941-4/ L.M 14-29-1 of 4 12/29
2) G. 12215-8/ L.M 21-29-2 of 11 4/30
3) D. 2624-7/ LM 2-33-7 of 30 11/33
4) D 4535-8/ LM 16-34-3 of 18-1-35
5) D. 4189-92/ LM 7-36-2 of 6/5-1-37
6) A.F. 284-6/ LM 21-38-2 of 7-1-39
7) A.F. 7144-57/ LM 46-40-5 of 10-4-41

In the marginally noted G.O. permission was accorded to the Mysore Central Cooperative Land Mortgage Bank Ltd was permitted in the G.O. noted in the margin, to float six series of debentures at varying rates of interest, Govt guaranteeing the repayment of principal and interest and also subject to certain other conditions. The Bank has issued in all the six series debentures to the extent of Rs 18,33,400/- which, it is reported, have been almost fully subscribed for almost fully.

With the increase in the number of L.M. Societies from 55 to 65 and the gradual extension of the L.M. Scheme, the Bank is reported to be in need of additional funds to finance a larger number of loan actions involved as well as to redeem the balance of the first series of debentures carrying interest at 5%.

The Bank has accordingly applied to Govt for permission to float a fourth series of debentures of the value of Rupees Ten lakhs carrying interest at 3% p.a.

List of Enclosure

Copied by

Examined by

G. R. S. App. F. G. 3.

GENERAL AND REVENUE SECRETARIAT.

(*Continuation sheet draft form.*)

free of encumbrance, repayable not later than twenty years from the date of flotation Govt guaranteeing principal and interest and proposing to subscribe to the extent of Rs 1,80,200/- in this issue.

The Registrar of Co. while favouring the proposals of the Bank has referred that according to the bylaws of the Bank, debentures of the value of Rupees Thirty lakhs may be raised by that institution and has recommended the acceptance of the proposals of the Bank the bond being issued only to the extent necessary and according to existing needs to guard against the accumulation of large idle funds in the hands of the Bank.

Govt are pleased to direct that the Mysore Executive Council - L.M. Bank Ltd be permitted to float a Rupees Five lakhs Debentures of the value of Debentures only carrying interest at 3% per annum and redeemable at par not later than

WD 0186—GPR—15,000—6-9-34

twenty years from the date of floatation,
but guaranteeing the payment of
principal and interest and agreeing
to subscribe in this issue to the extent of Rs 180,200/-, limiting the same
~~in this issue, the debentures being limited~~ to them
to the extent of the public subscription
falling short of the full value of the issue

The debentures will not be free from
encumbrance and should be issued from time to time up to the
extent necessary and accordingly to the
needs, ~~governing~~ to guard against the accumulation
of large and idle funds in the Bank

The other conditions relevant to the case
of the previous issue such as exemption
from Stamp duty etc will be continued
in respect of this issue also.

Yours

To
The Registrar of
The Companies Tuty at Colombo 7

PROCEEDINGS OF THE GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

Read :--

Letter No.10719/Cs. dated the 11th March 1943 from the Registrar of Co-operative Societies recommending that the Mysore Central Land Mortgage Bank Ltd., be permitted to float a Seventh Series of Debentures of the value of Rupees ten lakhs, free of incometax, carrying interest at 3% per annum redeemable at par not later than twenty years from the date of floatation Government guaranteeing the repayment of principal and interest and agreeing to subscribe in this Series of debentures to the extent of Rs.1,80,200/- if the subscription from the public fall short of expectations.

Order No. A.F. 662-3/Cs 85-42-7

Dated Bangalore, the 5th August 1943.

The Mysore Central Co-operative Land Mortgage Bank Ltd., was permitted in the Government Orders noted in the *margin, to float six series of debentures at varying rates of interest, Government guaranteeing the repayment of principal and interest and also subject to certain other conditions. The Bank has issued debentures in all the six series to the extent of Rs.18,33,400 which, it is reported, have been subscribed for almost fully.

*1. G.6941-4/L.M.14-29-1 dated 4-12-29
2. G.12215-8/L.M.21-29-2 " 11-4-30
3. D.2624-7/L.M.2-33-7 " 30-11-33
4. D.4535-8/L.M.16-34-3 " 18-1-35
5. D.4189-92/L.M.7-36-2 "6/7 - 1-37
6. A.F.284-6/L.M.21-38-2 " 7-1-39
7. A.F.7144-5/Cs.46-40-5 " 10-4-41

With the increase in the number of Land Mortgage Societies to 65 and the gradual extension of the Land Mortgage Scheme, the Bank is reported to be in need of additional funds to finance a larger number of transactions involved as well as to redeem the balance of the first series of debentures carrying interest at 5%.

The Bank has accordingly approached Government for permission to float a Seventh Series of debentures of the value of Rupees Ten lakhs carrying interest at 3% per annum free of incometax, repayable not later than twenty years from the date of floatation, Government guaranteeing principal and interest and promising to subscribe to the extent of Rs.1,80,200/- in this issue.

The Registrar of Co-operative Societies while forwarding the proposals of the Bank has reported that according to the bye-laws of the Bank, debentures of the value of Rupees Thirty lakhs may be raised by that institution and has recommended the acceptance of the proposals of the Bank, the bonds being issued only to the extent necessary and according to existing needs to guard against the accumulation of large and idle funds in the hands of the Bank.

Government are pleased to direct that the Mysore Central Co-operative Land Mortgage Bank Ltd., be permitted to float a Seventh Series of Debentures of the value of Rupees Five lakhs only

carrying interest at 3% per annum and redeemable at par not later than twenty years from the date of floatation, Government guaranteeing the repayment of principal and interest and agreeing to subscribe in this issue to the extent of Rs.1,80,200/-, limitting the same to the extent of the public subscription falling short of the full value of the issue.

The debentures will not be free from incometax and should be issued from time to time up to the extent necessary and according to the needs, to guard against the accumulation of large and idle funds in the Bank.

The other concessions allowed in the case of the previous issues such as exemption from Stamp duty etc, will be continued in respect of this issue also.

(Sd) Safi Daraha

Secretary to Government,
General Department.

3

To

The Registrar of Co-operative Societies in Mysore, Bangalore.

" Comptroller to Government through Financial Department.

Press Copy

BHK/6.

H.M.Srinivasaraja
4.8.43
for General Secretary to Government

1

App. F. VI, G. 10

Government of His Highness the Maharaja of Mysore.

GENERAL AND REVENUE DEPARTMENTS

P. B. No. 5

G. O. No. A-F662-3/ Cr. 85-42-7 DATED 5/8/43

May this be

i. printed? Yes

ii. treated as a standing order? Yes

iii. published in the Gazette, English Part?
iv. translated?
v. placed at the disposal of the Press?
vi. published in the Gazette, Kannada Part? } Yes

Debentures

Pass orders re the issue of a seventh series of
by the Mysore Central Co-operative Land Mortgage
Bank Limited for the value of Rupees six Lakhs.

10/8/43

10/8/43

S. O.

GOVERNMENT OF HIS HIGHNESS THE MAHARAJA OF MYSORE.

GENERAL AND REVENUE DEPARTMENTS.

G. O. No. A. F. 662-3—C. S. 85-42-7, dated 5th August 1943.

Debentures.

Passes orders regarding the issue of a Seventh Series of —— by the Mysore Central Co-operative Land Mortgage Bank, Ltd., of the value of rupees five lakhs.

READ—

Letter No. 10719—Cs., dated the 11th March 1943, from the Registrar of Co-operative Societies recommending that the Mysore Central Land Mortgage Bank, Ltd., be permitted to float a Seventh Series of debentures of the value of rupees ten lakhs, free of income-tax, carrying interest at 3 per cent per annum redeemable at par not later than twenty years from the date of floatation, Government guaranteeing the repayment of principal and interest and agreeing to subscribe in this Series of Debentures to the extent of Rs. 1,80,200 if the subscription from the public falls short of expectations.

ORDER No. A. F. 662-3—C. S. 85-42-7, DATED BANGALORE, THE 5TH AUGUST 1943.

The Mysore Central Co-operative Land Mortgage Bank, Ltd., was permitted in the Government Orders noted in the margin, to float six series of debentures at varying rates of interest, Government guaranteeing the repayment of principal and interest and also subject to certain other conditions. The Bank has issued debentures in all the six series to the extent of Rs. 18,33,400 which, it is reported, have been subscribed for almost fully.

1. G. 6941-4—L. M. 14-29-1, dated 4th December 1929.
2. G. 12215-8—L. M. 21-29-2, dated 11th April 1930.
3. D. 2624-7—L. M. 2-33-7, dated 30th November 1933.
4. D. 4535-8—L. M. 16-34-3, dated 18th January 1935.
5. D. 4189-92—L. M. 7-36-2, dated 6—7th January 1937
6. A. F. 284-6—L. M. 21-38-2, dated 7th January 1939.
7. A. F. 7144-5—C. S. 46-40-5, dated 10th April 1941.

With the increase in the number of Land Mortgage Societies to sixty-five and the gradual extension of the Land Mortgage Scheme, the Bank is reported to be in need of additional funds to finance a larger number of transactions involved as well as to redeem the balance of the First Series of debentures carrying interest at 5 per cent.

The Bank has accordingly approached Government for permission to float a Seventh Series of debentures of the value of rupees ten lakhs carrying interest at 3 per cent per annum free of income-tax, repayable not later than twenty years from the date of floatation, Government guaranteeing principal and interest and promising to subscribe to the extent of Rs. 1,80,200 in this issue.

The Registrar of Co-operative Societies, while forwarding the proposals of the Bank, has reported that according to the bye-laws of the Bank, debentures of the value of rupees thirty lakhs may be raised by that institution and has recommended the acceptance of the proposals of the Bank, the bonds being issued only to the extent necessary and according to existing needs to guard against the accumulation of large and idle funds in the hands of the Bank.

Government are pleased to direct that the Mysore Central Co-operative Land Mortgage Bank, Ltd., be permitted to float a Seventh Series of Debentures of the value of rupees five lakhs only carrying interest at 3 per cent per annum and redeemable at par not later than twenty years from the date of floatation, Government guaranteeing the repayment of principal and interest and agreeing to subscribe in this issue to the extent of Rs. 1,80,200, limiting the same to the extent of the public subscription falling short of the full value of the issue.

No. A. F. 662-3—C. S. 85-42-7, DATED 5TH AUGUST 1943.

The debentures will *not be free from income-tax* and should be issued from time to time up to the extent necessary and according to the needs, to guard against the accumulation of large and idle funds in the Bank.

The other concessions allowed in the case of the previous issues such as exemption from Stamp duty, etc., will be continued in respect of this issue also.

SAFI DARASHAH,
Secretary to Government,
General Department.

To—The Registrar of Co-operative Societies in Mysore, Bangalore.
The Comptroller to Government through the Financial Department.

Exd.—B. G. S

WD 219—GPB—370—23-8-43

THE MYSORE CENTRAL CO-OPERATIVE LAND MORTGAGE BANK LTD.,

BANGALORE CITY.

DEBENTURES.

The following debentures have been issued by the Bank from its inception.

	Amount authorised to be issued.	Issued and out-standing.
1. First Series 5%.	3,00,000	2,13,500
Less redeemed after 10 years.		1,32,700
		85,800
2. Second Series 4½%.	2,50,000	62,500
3. Third " 4%.	4,00,000	1,85,100
4. Fourth " 3½%.	5,00,000	5,00,000
5. Fifth " 3½%.	5,00,000	5,00,000
6. Sixth " 3½%.	5,00,000	5,00,000
	Total Rs.	18,33,400

The Seventh Series debentures are proposed to be floated subject to the following conditions and concessions:-

1. To float the debentures for 10 lakhs of rupees.

2. To fix the rate of interest at 3%.

3. To fix the period of redemption at 20 years instead of at 30 years as in the case of the first six series.

4. To exempt this series from the payment of income-tax.

5. To continue the other concessions and conditions allowed by Government in respect of this series also as in the previous series.

(1) According to byelaw No.17 (b), the Bank can raise funds by the issue of debentures or otherwise to the extent of 20 times the subscribed share capital and the reserve fund. The paid up share capital of the Bank is Rs.1,60,250 and its reserve fund is Rs.67,495-14-1. The Bank can thus borrow more than Rs.30 lakhs, the limit prescribed by Government in byelaw No.23. It is proposed to float the Seventh Series for Rs.10 lakhs to obviate the necessity of approaching Government now and then. In view of the increase in the number of Land Mortgage Societies and the proposed extension of the lending operations of the Bank to the entire state by about the end of 1943-44, a sum of about 4 to 5 lakhs of rupees will be required every year for the disbursement

It was finally agreed after discussion to float the loan for as 5 lakhs only 594

As estimated by the Bank 5 lakhs will be the amount balanced on hand would suffice for about 2 years for the Bank's transactions, etc.

of loans. As all the subscriptions received by the issue of debentures will be deposited with the Comptroller to Government and as it is the policy of the Bank to issue debentures only when money is actually required for the disbursement of loans, there is absolutely no fear if sanction is accorded once for all for 10 lakhs of rupees.

(2) The original lending rate of the Bank to the Societies was 7% and the Societies in turn lent to the ultimate borrower at 8%. At the instance of Government, the lending rate of the Bank and the Societies was reduced by one per cent. Further, ~~to give greater relief~~ to the agriculturist and to lower the rate of interest still further one per cent rebate in interest is being allowed, thus reducing the lending rate of the Bank to the Societies to 5% and making money available to the ultimate borrower at 6% which is the lowest rate of interest prevailing in any of the Land Mortgage Banks in India. There is hardly any margin for profit to the Bank from out of the borrowings of the First, Second and Third Series of debentures which carry interest at 5%, 4½% and 4% respectively. In view of this, Government is generously sanctioning subventions to meet a portion of the rebates granted. To make the Bank self-supporting and to recoupe the disadvantages caused by the high rated debentures originally issued, it is proposed to reduce the rate of interest to 3% which is also the rate allowed by the Madras Land Mortgage Bank on its recently floated 33rd series of debentures for Rs.20 lakhs. With an easy money market and the waiver of income-tax payable on these debentures it is hoped that there will not be any difficulty in finding a ready sale of these debentures.

(3) The period of redemption of the first six series of debentures is fixed at 20 years keeping the option to the Bank to redeem them at any time after 10 years. This period was fixed at 30 years as the maximum period for which the Bank can lend is 30 years. In view of the reduction of the minimum amount of loan that can be issued by the Bank to Rs.200/- from Rs.500/-, the period of repayment is fixed at 10 years, 15 years, 20 years and 25 years

As many loans will be issued for periods of 10, 15 and 20 years and as the repayments towards the loans issued out of the share capital of the Bank will also be available there will be no difficulty in redeeming the debentures even though the period of repayment of the debentures is reduced to 20 years. As there a feeling especially among the small investing public that the period of redemption is too long, the reduction from 30 years to 20 years is proposed to make the debentures more attractive.

The reduced period of 20 years after which to redeem after end of 10 years was agreed to

(4) The first five series of debentures are income-tax free and the sixth series is subject to income-tax which will be deducted at source, that is, at the time of payment of the interest at the highest rate of 2½ annas per rupee. Persons who pay the tax at source and who have not the required income for being subject to income-tax may claim a refund. The deduction of the tax at source works as a great hardship on persons who have not the taxable income. Even in Madras, though the interest on the debentures is subject to income-tax, the tax is not deducted at source except in the case of debentures held by persons who are not residents of British India. The sixth series of debentures were not popular among the small investors, as the deduction of the tax at source very much discouraged them. Only 12 small investors subscribed amounts varying from Rs.4,500/- and below to the extent of Rs.21,400/- in the sixth series. In view of the first five series being free from the levy of income-tax the small investors subscribed for and obtained larger sums in these series unlike in the sixth series. It is very desirable to encourage the small investors so that the Bank may be useful to the poor and that it may not be solely dependent on the big individual investors.

The extension of this facility under Sec. 2 (1) (b) - debentures was suggested by the Pr. & the suggestion was asked to be examined. This is a question to be considered by the Board & to be referred to it for further suitable decision

After discussion it was considered that the question may be left to be dropped as account of other objections of a financial nature

The rate of interest on 1951-61 Government loan is 3% and the interest is not subject to income-tax. The rate of interest on 5 years fixed deposits in the Government Savings Bank is 2½% and it is exempt from the payment of income-tax. The rate of interest proposed to be charged on the seventh series of the debentures of the Bank is 3% and its period of repayment is 20 years. If the interest on these debentures is made

This rate was finally agreed to as very suitable

liable to income-tax, the debentures may not be popular and the object with which the rate of interest is reduced may be frustrated.

Out of the 5 lakhs of rupees raised in the sixth series as large a sum as Rs.1,03,500 is exempted from the payment of income-tax under Section 4 (1) of the Mysore Income-tax Act as the amount relates to the Charitable and Muzrai Institutions. It has been the policy of the Bank to waive the premium on the debentures in the case of subscriptions from Educational and Muzrai Institutions as they stand for laudable objects. The income-tax payable on every lakh of rupees carrying interest at 3% will be Rs.54-11-0 at the minimum rate of three pies per rupee and Rs.546-14-0 at the maximum rate of 30 pies per rupee. Several of the debenture holders will not be subject to income-tax at the highest rate and a major portion of the amount deducted at source will have to be refunded. The minimum tax payable on every lakh of rupees carrying interest at 3% will be Rs.46-14-0 and at the maximum rate it will be Rs.468-12-0. The loss to the Government on Rs.10 lakhs at 3% interest will be Rs.468-12-0 at the minimum rate and at the maximum rate it will be Rs.4,687-8-0. It may be safely presumed that the Government may not lose anything more than Rs.1,000/- if the interest on the debentures is made free of income-tax. Out of the seventh series the Muzrai Department is proposed to take up one lakh of rupees and may take another one or two lakhs of rupees before the seventh series are fully [illegible].

(6) The other concessions such as the Government guarantee of both principal and interest of the debentures, the waiver of stamp duty etc., may be continued in respect of the seventh series also as in the case of the first six series.

SINKING FUND.

Government have exempted the Bank from the formation of sinking fund till the end of June 1943. This concession is requested to be extended for a further period of 5 years from the 30th June 1943 for the following reasons:-

It may be mentioned at the outset that the object of formi a sinking fund is to discharge a debt at a stipulated period. Most of the ideas current about the sinking fund and its maintenance are based on the practices prevailing in Institutions like Port Trusts and Municipalities which usually raise funds by floating debentures for financing schemes of road construction, drainage, electricity etc., and create a sinking fund for their redemption. The sinking fund in the case of these institutions is formed out of the annual revenues and unless such a fund is created, the institutions will be helpless to meet their obligations. The debentures of the Land Mortgage Banks stand on altogether a different footing. The borrowings are invested in the form of loans and no part of the income of the Banks is made available for purposes of redemption. They are discharged out of the recoveries of loans. The only source of raising the necessary funds for the issue of loans is by way of debenture borrowing and as such there appears to be no need for the formation of a sinking fund. If the recoveries are not allowed to be utilized for re-loaning and are to be formed into a sinking fund, further borrowing by means of debentures will have to be resorted to for issue of loans. The formation of a sinking fund will result in loss to the Bank as the rate of interest earned on the sinking fund will not be as much as it has to pay on the debentures. The formation of the sinking fund will be something like saving by one hand and borrowing by another hand. Granting that there may arise an occasion when the Bank may have to borrow for the discharge of debentures, there seems to be no serious violation of any principle so long as the debentures in circulation are not allowed to exceed the total amount of loans outstanding plus the money earmarked and kept in reserve for the issue of loans.

The Bank has so far raised debentures amounting to Rs.19,66,100 and has redeemed Rs.1,32,700 out of the first series leaving a balance of .18,33,400 outstanding. As against this borrowing, the Bank has lent Rs.20,70,542 to 1978 persons. So far as large a sum as .4,13,678 has been repaid towards principal by the borrowers leaving a sum of .16,56,864 outstanding.

A sum of Rs.1,91,543 is desposited with the Trustee of the Bank for issue of loans. It may be thus seen that the loans due to the Bank and the money kept in reserve amount to Rs.18,48,412 as against the debenture liability of Rs.18,33,400. Besides the money required for redeeming the balance of Rs.85,300 in the first series (redeemable between May 1943 and October 1943) is kept in readiness. The principle of sound finance are kept in view and the Bank is strictly adhering to well laid down principles.

The Bank has borrowed the 2nd and the 3rd series of debentures at 4½% and 4% respectively to the extent of Rs.2,47,600 (2nd Rs.62,500; 3rd Rs.1,85,100). These debentures come up for redemption at the option of the Bank between July 1944 and December 1945. As these are high rated debentures ~~which~~ practically yield no income to the Bank, they are proposed to be redeemed. If the Bank has to form a sinking fund from 1943-44 it will not be possible for it to redeem them as and when they mature after 10 years out of the recoveries of loans issued out of these debentures. The demand towards principal on the entire loan outstanding for 1942-43 is Rs.43,322 and it will be a little more during the next three years. The recoveries during the next three years will be about Rs.2 lakhs including advance repayments as against which we have to redeem debentures of the value of Rs.3,33,400.

The redemption of a portion of the first series of debentures and the earmarking of the required money for the redemption of the balance of the first series has practically served the purpose for which a sinking fund is intended to be formed.

Hence as advocated by one Section of the financiers there is absolutely no need for the formation of a sinking fund in a Land Mortgage Bank where all the money required for advancing loans is raised by the issue of debentures. In any case, it is more advantageous to our Bank to postpone the formation of the Sinking Fund till all the high rated debentures are redeemed.

Dr. A.N.B. - conceded the need for having a sinking fund but added that this plea pertained to be postponed for 4-5 years until the first three issues of debentures carrying a high rate of interest are redeemed.

SUBVENTION.

The rate of interest originally charged to the ultimate borrower by the Land Mortgage Societies was 8%. The Committee on Co-operation appointed in the year 1935 opined that the rate of interest charged on loans was too high and far beyond the capacity of the ordinary agriculturist and that it should not, as a rule, exceed 6% and recommended the grant of a subvention to the Bank for lowering the rate of interest. Government in their order of the 16th November 1937 sanctioned a subvention of R.7,000/-, R.6,000/- and R.5,000/- for the years 1937-38, 1938-39 and 1939-40 respectively and ordered the reduction of the rate of interest of the Bank from 7% to 6% so that the Societies may reduce their rate from 8% to 7%. The Government expressed the hope that the Bank would still further reduce the rate of interest and bring it down to 6% to the ultimate borrower. Though there was no commitment on the part of the Bank to further lower its rate of interest, it granted a rebate of ½% in the year 1937-38 alone and from the year 1938-39 onwards a rebate of one per cent is being granted thus reducing the lending rate of the Bank to 6% and making money available to the ultimate borrower at 6% which is the rate thought to be reasonable, by the Committee on Co-operation. The rabates sanctioned by the Bank during 1937-38, 1938-39 and 1939-40 amount to .18,666-2-3, though the grant of R.18,000/- by Government was only meant to reduce the Bank's rate of interest to 6%. The Government generously continued the sanction of a subvention of R.5,000/- during 1940-41 and 1941-42. As against this grant of R.10,000/- during these 2 years, the Bank has granted rebates to the extent of .25,210/- meeting the balance required from out of the net profits of the Bank. For the year 1942-43, a subvention of R.7,000/- has been sanctioned as against which the Bank has to pay according to the estimate, a rebate of .17,000/-. The amount of rebate to be paid will increase year after year on account of the increase in the loan transactions and unless the Government continues to sanction enhanced grants till the Bank's transactions develop to at least 35 lakhs, it will not

be possible to grantx a rebate of one per cent and thus make money available to the borrower at 6%. According to the Budget estimate of the Bank for the year 1943-44, there will be available only a sum of Rs.9,150/- out of the profits to pay rebates as against an estimated sum of Rs.19,000/- that would be required to pay one per cent rebate. Hence the grant of a subvention of Rs.10,000/- is prayed for.

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